

Message Text

PAGE 01 KHARTO 02758 191601Z

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SUBJ: FINANCING FOR TEXTILE MACHINERY TENDER IN SUDAN

1. SUMMARY: CONSORTIUM OF US TEXTILE MACHINERY MANUFACTURERS UNDER NAME CONSORTEX WILL SHORTLY BE MAKING FURTHER APPROACH TO EXIM THROUGH IRIVING RUST CO, NY RE NEED CREDIT FOR POTENTIAL SALE AT LEAST TWO TURNKEY TEXTILE MILLS TO GOS. WHILE EMBASSY APPRECIATES PROBLEMS THIS APPLICATION LIKELY POSE, TEXTILE INDUSTRY REMAINS ONE OF KEY TRADE OPPORTUNITIES FOR US FIRMS IN SUDAN. SINCE US COMMERICAL BANKS ALSO REPORTEDLY INTERESTED, THIS WOULD SEEM DESIRABLE PROJECT FROM STANDPOINT USG-GOS RELATIONS. END SUMMARY.

2. EBERHARD DEITZ, GERMAN NATIONAL REPRESENTING CONSORTIUM OF US TEXTILE MACHINERY MANUFACTURERS UNDER HEADING OF CONSORTEX, CALLED ON EMBOFF DEC 16 AND SUBSEQUENTLY ON AMBASSADOR DEC 17 TO DISCUSS STATUS OF VARIOUS TEXTILE PROJECTS CURRENTLY UP FOR TENDER BY GOS AND TO ASK EMBASSY SUPPORT OF CONSORTEX APPLICATION TO EXIM FOR FINANCING. SEITZ SHOWED US "LETTERS OF INTENT" WHICH INDICATED THAT CONSORTEX STILL IN RUNNING FOR ONE SPINNING MILL (ABOUT \$29.5 MILLION) AND FOR "AT LEAST ONE"

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PAGE 02 KHARTO 02758 191601Z

WEAVING MILL (EACH MILL \$5.3-5.5 MILLION)-- THIS OUT OF TOTAL 8 MILLS UP FOR TENDER. LETTERS CITE OFFER OF FINANCING AS KEY ELEMENT IN FURTHER NEGOTIATIONS. SEITZ STATES OFFER MUST BE MADE BY MID-TO-LATE JANUARY OR ELSE THESE PROJECTS LIKELY TO GO TO

SPANISH, BRITISH AND GERMAN COMPETITORS WHO APPEAR ALREADY HAVE WON MAJORITY OF PACKAGE.

3. SEITZ SAID CONSORTEX REQUEST TO EXIM LAST SUMMER FOR PRELIMINARY COMMITMENT INVOLVING ALL PROJECTS (OVER \$100 MILLION) HAD BEEN TURNED BACK (BUT NOT FORMALLY REFUSED) AS BEING TOO LARGE. SEITZ STATED THAT IRVING TRUST REP A. DAIBACK (IRVING IS REPORTEDLY LONG TIME BANKER FOR FIRM ORIENTAL EXPORTERS INC OF NYC WHICH ALSO INVOLVED IN ASSEMBLY CONSORTIUM) HAD SUBSEQUENTLY GIVEN EXIM LETTER INTENT FROM GOS DATED MID-NOVEMBER INVOLVING ONE SPINNING MILL AND UP TO FOUR WEAVING MILLS. EXIM HAD ASKED FOR FEASIBILITY STUDIES AND CASH FLOW WHICH SEITZ HAS NOW PREPARED ON BASIS ACTUAL DATA FROM LOCAL FIRM. SEITZ IN PROCESS OF SENDING BOTH THESE STUDIES AND REVISED LETTERS OF INTENT (PARA 2) TO EXIM VIA IRVING.

4. IN RESPONSE OUR INQUIRY AS TO EXACTLY WHAT FINANCING WOULD BE REQUIRED, SEITZ STATED THAT IF CONSORTEX GETS BOTH PROJECTS (AND THERE APPEARS TO BE NO REASON WHY ONE COULD NOT BE APPROVED WITHOUT OTHER) TOTAL COST BE IN VICINITY OF \$35 MILLION. ALMOST ONE-THIRD OF THIS AMOUNT, HOWEVER, WOULD BE EITHER DOWN PAYMENT (TO BE FINANCED SEPARATELY) OR LOCAL COSTS. THUS SOME \$25 MILLION INVOLVED. MOREOVER SEITZ CLAIMS THAT IF EXIM PREPARED PICK UP ONLY 5-10 PERCENT OF THIS AMOUNT, IRVING TRUST CAN OBTAIN REST THROUGH COMMERCIAL BANKING SOURCES--THOUGH PRESUMABLY WITH EXIM GUARANTEE.

5. SEITZ STRESSED IMPORTANCE OF SUCCEEDING ON THIS TENDER IN TERMS OF ESTABLISHING WITHIN SUDAN ALL-AMERICAN TEXTILE PLANT WHICH COULD SERVE AS SHOW-CASE WHICH WOULD ASSIST FUTURE SALES AS GOS PURSUES MAJOR EXPANSION ITS TEXTILE INDUSTRY. SEITZ NOTED, HOWEVER, SUCH FUTURE POSSIBILITIES NOT LIMITED TO THOSE WITH USG FINANCING. FOR EXAMPLE, IFC WAS INTERESTED IN SUDAN'S TEXTILE POTENTIAL AND THERE WERE SOME CASE CUSTOMERS. IMPORTANT THING WAS TO BE ABLE DEMONSTRATE ON GROUND QUALITY OF US EQUIPMENT IN COMPARISON TO EUROPEAN COMPETITORS WHO ALREADY PRESENT AND NOW MAKING FURTHER INROADS.

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PAGE 03 KHARTO 02758 191601Z

6. SEITZ WAS REMINDED THAT DECISION ON SUCH MATTERS EXIM'S TO MAKE, THAT EXIM HAD ITS OWN CHARTER FROM US CONGRESS AND HAD TO BE CONCERNED RE SUDAN'S FINANCIAL POSITION. WE NOTED, HOWEVER, USG NATURALLY INTERESTED IN EXPANSION AMERICAN EXPORTS TO THIS DEVELOPING MARKET, NOTABLY IN KEY TEXTILE AREA WHERE US FIRMS HAVE PRICE ADVANTAGE. EMBASSY WOULD ACCORDINGLY INFORM APPROPRIATE WASHINGTON AUTHORITIES RE CURRENT STATUS THIS OPPORTUNITY AND FACT FURTHER DETAILS ON WAY TO EXIM VIA IRVING TRUST.

7. COMMENT: WITH GOS NOW UNDERTAKING MAJOR TEXTILE EXPANSION IT WOULD CLEARLY BE BLOW TO FUTURE SALES BY US FIRMS WERE

ALL CURRENT PROJECTS TO GO TO EUROPEAN COMPETITORS. WE THERE-
FORE, HOPE, SHOULD US COMMERICAL BANKS BE PREPARED PICK UP
MAJOR SHARE OF PACKAGE AND FEASIBILITY AND CASH FLOW STUDIES
PROVE VIABILITY AS SEITZ CLAIMS, IT MAY BE POSSIBLE GIVE FAVOR-
ABLE CONSIDERATION THIS PROPOSAL. APPRECIATE THERE ARE OTHER
APPLICATIONS ALSO PENDING BEFORE EXIM (E.G. FOR LOCOMOTIVES
WHICH WE HAVE STRONGLY SUPPORTED) AND THAT THERE IS LIMIT TO
WHAT WE CAN DO OR SUDAN TRAFFIC CAN BEAR. MOREOVER THERE MAY
BE FACTS AVAILABLE TO EXIM REGARDING CURRENT PROJECT NOT KNOWN
TO US. EMBASSY WOULD THEREFORE WELCOME WASHINGTON VIEWS ON THIS
OPPORTUNITY INCLUDING ANY SUGGESTIONS AS TO FURTHER INFOR-
MATION OR STEPS WHICH MIGHT IMPROVE CHANCES FOR SUCCESS OF
US FIRMS. BREWER

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